

REPORT ON INTERNATIONAL FORUM OF ACCOUNTING STANDARD-SETTERS (IFASS) — 22-23 October 2012

IFASS met in Zurich on 22-23 October 2012 and discussed the agenda items set out below.

Background

IFASS is an informal network of national accounting standard setters from around the world, plus other organisations that have a close involvement in financial reporting issues. It is a forum at which interested stakeholders can discuss matters of common interest. The group is chaired by Tricia O'Malley, a former Chair of the Canadian Accounting Standards Board and former member of the International Accounting Standards Board (IASB).

The public meeting was attended by representatives of standard setters from Australia, Austria, Belgium, Brazil, Canada, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Lebanon, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Peoples Republic of China, Republic of Korea, Saudi Arabia, Sierra Leone, Singapore, South Africa, Spain, Sweden, Switzerland, Syria, Taiwan, the United Kingdom, and the United States. Representatives of the European Financial Reporting Advisory Group (EFRAG), IFRS Foundation, International Accounting Standards Board and International Public Sector Accounting Standards Board (IPSASB) also attended. A list of participants is attached. A number of observers were present.

Welcome

Tricia O'Malley, IFASS Chairman, welcomed participants to Zurich and thanked the Swiss GAAP FER for hosting the meeting.

1. Relationships Between the IASB and National Standard Setters (NSS)/Regional Bodies

Input from the IASB on how it would like to work with NSS/Regional Groups (IFRS Foundation)

- 1.1 Yael Almog, Executive Director, IFRS Foundation (Foundation), referred the group to agenda paper 1.1, which set out a proposal on how the relationship between the IASB and the national and regional standards bodies might be formalized and how the IASB can better engage with them on a collective basis to bring their wealth of expertise to bear.
- 1.2 Ms. Almog provided background to the topic, the goals of the national and regional standards bodies relative to those of the Foundation, the challenges to be confronted and the proposal to form a forum of national and regional bodies that would meet on a quarterly basis. The Foundation envisages a forum comprising 12 appointees drawn from geographic regions around the world. While the Foundation will consult with the national and regional bodies, membership will be by invitation. Membership will be reviewed on a biennial basis.

- 1.3 Ian Mackintosh, Vice-Chairman, IASB, said that the existing IFASS is a very large group that meets only twice a year. He said that the proposals envisaged a coalition of the willing and a need to work co-operatively. The IASB is not suggesting the demise of the IFASS and also expects meetings of the World Standard Setters (WSS) to continue. The Foundation wishes to set up an advisory group, to be known as the Accounting Standards Forum¹ (Forum), to help the IASB staff to develop proposals. The Foundation would like the Forum members to discuss technical problems related to the IASB's current and research agendas in real time, rather than only responding to IASB papers.
- 1.4 In reply to a question from a representative from Australia asking about next steps, Ms. Almog said that discussions had been held with the Trustees of the Foundation, and presentations will be made to the IFRS Advisory Council and at the 25-26 October 2012 WSS meeting. Thereafter, an amended paper will be prepared, which will be issued for public comment. Mr. Mackintosh said that ideally the Forum will have its first meeting in March 2013.
- 1.5 Representatives' questions and comments included the following:
- The Chairman said that the group needed to discuss whether there was an ongoing role for IFASS and, if so, what that role should be.
 - In reply to a question from a representative from Japan regarding the operations of the Forum, Mr. Mackintosh said that the IASB envisaged a two-way flow of information.
 - In reply to a question from a representative from Korea about the IASB's current bilateral arrangements with a number of organisations, Mr. Mackintosh said that there would be no more convergence projects run in conjunction with the FASB once the current convergence projects were finished. The IASB wished to continue its relationships with the Accounting Standards Board of Japan, EFRAG and others; however, it wished to conduct the technical discussions in a more efficient and inclusive manner.
 - In reply to a question from a representative from Italy about the seats on the proposed Forum set aside for the "world at large" category, Mr. Mackintosh said that this is to give the IASB a measure of flexibility in the Forum's membership. Ms. Almog said that the proposed allocation of seats was a difficult issue and the "world at large" category will enable the IASB to adjust imbalances.
 - Alan Texeira, IASB Senior Director, Technical Activities, commented that the IASB staff works very closely with national and regional bodies, some of which second staff to the IASB. The IASB expects these relationships to continue. He mentioned the work performed by Malaysia on the topics of agriculture and sharia law-compliant financial instruments.

¹ A proposal released 1 November changed the name to Accounting Standards Advisory Forum.

- In reply to a question from a representative from Pakistan about the criteria for allocating Forum seats to the various regions, Mr. Mackintosh said that the criteria were the size of each region's economies and its ability to contribute and share resources. The representative from Pakistan queried the lack of a specific Middle East region.
- The representative from Sierra Leone commented that in addition to "efficiency" in the process, it was necessary that the process be effective. The IASB Vice-Chairman said that the real goal of the proposed process is to produce better standards.
- A representative from EFRAG said that although the move to a technical discussion forum carries risks, the proposal is an important move forward and a real improvement. The Foundation proposal for a multilateral dimension is also extremely important. Co-ordination at the staff level will be a necessity. Flexibility is required regarding who should make the appointments to the Forum. This is best left to the regional bodies. A commitment from all participants to the goal of setting one set of high-quality standards is important. Those jurisdictions that have not yet adopted IFRSs should not be denied the opportunity to participate in the process. The proposal's multilateral feature will ensure that the process is effective.
- A representative from Japan favoured the idea of the Foundation's proposal. He acknowledged that there were risks and expressed concern about the short time frame for proposal's implementation. He also questioned if it was necessary for participants to sign a memorandum of understanding, stating that the most important thing is to provide high-quality technical input into the IASB's standard-setting process.
- A representative from Canada favoured the idea of creating a new advisory council, saying it would create order out of chaos, similar to the creation of the IFRS Foundation Advisory Council and various user groups. However, he was unclear as to what the memorandum of understanding would commit jurisdictions to. He commented that some jurisdictions might not agree to a statement that they supported a single set of global standards. The term "accounting diversity" needed to be built into the memorandum of understanding.
- In reply to a question from a representative from the U. K., Mr. Mackintosh said that all papers for, and discussions at, the proposed Forum would be in the public domain.
- In reply to a question from a representative from Hong Kong (who favoured the idea of the Forum) regarding setting the IASB agendas, Mr. Mackintosh said that the IASB would continue to consult with its stakeholders on a three-yearly basis and obtain the advice of the IFRS Advisory Council regarding proposed IASB agendas. IFASS would continue to have a role in the process through undertaking research activities, responding to the IASB's outreach requests and participating in post-implementation reviews.

- A representative from France said that the IASB needed to hear from those stakeholders not represented on the Forum. The system required a critical mass and balance.
- A representative from Australia favoured the creation of the Forum. While his jurisdiction still needed to review the details if the proposal, an early reaction was that he did not want to disturb the healthy relationship among members of his regional group (AOSSG). He said that six or seven AOSSG members have the capacity to be appointed to the Forum. It would be necessary to leverage the views of those not at the table into the Forum's deliberations.
- The representative from Norway strongly supported the creation of the Forum, saying that the regional groups should be consulted regarding appointments to the proposed body. Consideration should be given to allocating one seat for regional bodies or organisations.
- The IASB Vice-Chairman commented that the original thought was to have fewer than 12 seats on the Forum. A strong argument would have to be made to extend the number of seats beyond 12.
- A representative from Korea said that 12 seats were too few for the Forum to be effective. While 20 seats were too many, 16 might be a good compromise. The qualification criteria for appointment to the Forum required discussion. The representative suggested that members should be appointed for at least three years. The IASB Vice-Chairman responded by stating that there would be no set terms. However, the performance of appointees would be evaluated every two years. The proposal is to appoint a senior member from selected organisations. That individual could be supported by appropriate topic experts. In addition, non-member bodies might be invited to participate if they had useful expertise on a topic to be discussed.
- A representative from South Africa supported, and commended, the Foundation's proposals. However, she said that IFASS has become a very useful forum and she favoured its continuation as an opportunity for its members to express their views.
- The representative from Indonesia supported the notion of a formal relationship between the IASB and the national and regional standards bodies. She raised a concern regarding country/jurisdiction specific accounting issues; particularly for jurisdictions like Indonesia that have newly adopted IFRSs. She suggested that the IASB or its proposed Forum consider whether national standard-setting bodies should be permitted to make their own interpretations for particular accounting issues without them being labeled "non-IFRS".

1.6 The Chairman closed the discussion on agenda paper 1.1 by commenting that not everyone will be satisfied and that a state of "equalized unhappiness" was probably the best that could be hoped for.

NSSs and the IASB: Joining Forces for Global Accounting Standard Setting

- 1.7 Jérôme Haas, Chairman of the French standard setter, referred the group to agenda paper 1.2, which discussed proposed bilateral and multilateral relationships between the IASB and NSSs and which included a proposed Charter, which is intended to replace the previous Statement of Best Practice that dates from 2006.
- 1.8 Mr. Haas commented that the process commenced at the NSS meeting in New York in March 2011. Standard-setting bodies from France, Germany, Italy, the U.K. and Japan have been working on the project, the results of which were reported to IFASS at previous meetings.
- 1.9 Mr. Haas said that the standard-setting world is changing and this calls for changes in the relationships between the IASB and the NSSs. He said that France has been applying IFRSs for seven years. That country is making positive progress and wishes to share its experiences with others. He commented that the words “joining forces” in the title of paper 1.2 is telling and that is the main thrust of the working group’s proposals. He commented in detail on the points set out in the executive summary in paper 1.2.
- 1.10 Mr. Haas stated that France and other National Standard Setters who have contributed to the Charter, are in favour of a joint contribution to the process, in particular:
- working co-operatively on a day-to-day basis (formalising in writing the partnership between NSSs and the IASB, abiding by the overarching principles, co-operating at each phase of the standard-setting process, improving co-operation at the staff level and working efficiently);
 - the IASB would be assisted by a council or board of accounting standard setters that would discuss, on a high-level basis (without excessive bureaucracy), input received from NSSs for the IASB and feedback of how that input was dealt with by the IASB;
 - there must be a commitment from all sides to promote IFRSs on a global basis;
 - utilising the expertise of NSSs on a regional level because of their closeness to local issues (“value added”);
 - a multi-lateral approach will ensure that the expertise of NSSs is used to the fullest;
 - to promote credibility, it is important to get all those committed to standard setting involved in the process (“skin in the game”), it is not necessary to limit the number of participants around the table (the IFRS Advisory Council comprises more than 50 participants and seems to work well);
 - the IASB needs to address its relationships with all NSSs; two-way communication is important;
 - IFASS, which is the backbone of the standard-setting system and which promotes the use of IFRSs, should be retained.
- 1.11 In conclusion, Mr. Haas said he fully embraced the direction being taken to promote multi-lateral relationships between the IASB and NSSs.

1.12 Representatives' comments included the following:

- A representative from EFRAG commented that the process started in New York in March 2011, and updates were provided at subsequent IFASS meetings in Vienna and Kuala Lumpur. Input was provided at all stages and a final document is now awaited. The regional groups are a part of the standard-setting process and a more balanced relationship between the IASB and NSSs is required.
- In reply to a question from a representative from South Africa, Mr. Haas said that agenda paper 1.2 was prepared after talking to IASB staff who agreed that joint work on the process was necessary. He also consulted with the Trustees of the IFRS Foundation who told him that, at that time, they did not have firm proposals.

Comments on both papers

1.13 The Chairman commented that the proposed Forum would provide standard setters with an advisory council relationship with the IASB similar to those that other major stakeholder groups have had for many years. One question the group will need to consider is what will happen to IFASS under the Foundation's proposal and how can the working group proposal (agenda paper 1.2) be incorporated into the Foundation's proposals. IFASS discusses matters that are not on the IASB's agenda, such as governance issues; so it has a role beyond technical matters. IFASS will need to consider how to gather input from its stakeholders and also deliver input to stakeholders (some of this could be done by the regional groups).

1.14 Representatives' comments on both papers included the following:

- The representative from the Netherlands said that in principle, he favoured the creation of the Forum and asked if a compromise could be reached by combining the proposals in papers 1.1 and 1.2.
- The IASB Vice-Chairman said that the proposals in both papers were broadly similar. However, there were some major differences. (i) paper 1.2 (working group) called for the preparation of a Charter, whereas the Foundation's paper suggested a memorandum of understanding. (ii) Unlike paper 1.2, the Foundation's proposals called for a role for the regional groups. (iii) paper 1.2 suggests that those with "skin in the game" should have a stronger influence than those who have not committed to adopting IFRSs (for example, the U. S.). The Foundation has great respect for the U. S. standard setter and does not wish to exclude that jurisdiction from the process.
- A representative from France said that regional issues should not be a problem. It should be clear that France is in favour of having the U. S. and others, such as Japan, participating in the process. The "skin in the game" issue can be solved.
- A representative from the U. K. said that the proposed process was not a "black and white" situation. He did not want to see the emergence of regional blocs.

- Commenting on “efficiency” and “effectiveness,” the representative from Sierra Leone said that good decisions are the result of (i) identifying the problem, (ii) identifying possible solutions, (iii) evaluating the alternatives and (iv) decision or choice. The IFASS is effective at some parts of this process and the proposed Forum will likely be effective at others. Therefore, the proposed Forum needs to involve the IFASS in some way.
- A representative from South Africa said that the scope of the Foundation’s paper 1.1 is a bit narrower than the working group’s paper 1.2. The final process will be more in the nature of a journey than a destination. This process is the beginning of an experiment.
- Alberto Giussani, Vice Chairman, Italian National Standard Setter, said there were three main differences between the two papers: (i) Unlike paper 1.2, paper 1.1 requires a memorandum of understanding, (ii) the treatment of the regional groups is different under the two papers and (iii) the inclusion or exclusion in the process of those applying or not applying IFRSs is different under the two papers. Signing a memorandum of understanding would be fine if the arrangement is clear. Mr. Guissani noted that papers produced by the Forum would not be legally binding documents. Appointing representatives from the regional groups was in order, provided those appointees represented NSSs. NSSs from highly sophisticated capital markets should not be excluded from the process. Mr. Guissani also said that it was necessary to rethink the role of IFASS. He remarked that an important difference between the two proposals is that the memorandum of understanding proposal in the IFRS Foundation paper is a unilateral act, while the proposal for a Charter would be a contract between two parties. This difference would have a strong effect on the membership. The IASB Vice-Chairman said that the IASB would not necessarily follow the view of the majority on the Forum. In fact, the latter would never be asked to make decisions; it is intended to be an advisory body only.
- A representative from France said it would be difficult to split the working group’s paper 1.2, which is a consistent and integrated document. There are tensions to be resolved between regional requirements and global solutions. Nowhere in the world does a regional approach negate a global solution.
- A representative from EFRAG said there appear to be tensions regarding who should sit at the table of the Forum. She said it is necessary to hear a diversity of views from NSSs in the early days of a project. The Forum should not replace IFASS, which will have a different role. Any new arrangements will not mean that EFRAG is negating any of its responsibilities. The Forum will assist in the issuance of high-quality standards suitable for stakeholders’ use.
- A representative from Austria said that he represented a small jurisdiction that welcomed the IFRS Foundation’s proposals. In his view, the working group’s paper was flawed and there was no need for a combined paper. He was ambivalent about

the size of the Forum. A representative from France asked to be advised of the perceived flaws in the working group's paper.

- 1.15 The Chairman closed the session by asking participants to provide their comments on the creation of the proposed Forum directly to the IASB and the IFRS Foundation. She said there seemed to be a consensus that the IFASS should continue at least in the near term. Participants should give thought to IFASS's future role in preparation for discussion at the next meeting in April 2013 in Brazil. This discussion would take place in light of the final arrangements for the IASB's Forum and considering the role of national standard setters described in *A Model for National Standard-Setters*, the paper previously prepared and circulated to all in next to final form by the Australian standard setter. Because the Forum terms of reference and organisation would not be known until after the IFRS Foundation Trustees' meeting in January 2013 at the earliest, it was concluded that it would be unproductive for the Working Group to proceed with further development of the proposals in paper 1.2 before the discussion at the meeting in Brazil.

2. Topical Issues

Issue 1 — Improving the Financial Reporting of Income Tax

- 2.1 Philippe Longerstae, Research Director at EFRAG, provided an overview of comments received on the Discussion Paper *Improving the Financial Reporting of Income Tax*. There was widespread agreement that IAS 12 is a complex standard that merits simplification. An overview of the feedback on the Paper is provided in agenda paper 2.1.
- 2.2 A representative from Australia commented that the intent of the IASB's convergence program with U.S. GAAP was to reduce the number of exceptions and arrive at common answers. The analysis of the exceptions should be examined to see if this can be done.
- 2.3 The Chairman said that an analysis of the foreign issuers' reconciliation between IFRSs and U.S. GAAP items indicated that income tax was consistently one of the major reasons for differences between the two systems.
- 2.4 The general consensus was that a complete overhaul of IAS 12 was not an immediate requirement.

Issue 2 — Discussion Paper on Business Combinations Under Common Control

- 2.5 Philippe Longerstae, Research Director at EFRAG, and Tommaso Fabi, Technical Director of the Italian standard setter, provided feedback on the Discussion Paper *Business Combinations under Common Control* issued in October 2011 by EFRAG and the Italian

standard setter (see PowerPoint presentation marked agenda paper 2.2). A feedback statement summarising respondents' comments will be developed in the next month or so.

2.6 Representatives' comments included the following:

- A representative from Korea said that the IASB should consider developing a new standard to cover this issue.
- Referring to the presenters' intentions to gather real-life examples, the Chairman said efforts should be made to ascertain if there was any commonality in accounting for these matters.
- Regarding the notion that IFASS adds value in assisting the IASB in formulating its technical agenda, a representative from the FASB said that matters could be facilitated by reaching out to standard setters to gather examples of transactions in different jurisdictions and see how they are being recorded in terms of the IASB's literature. A representative from EFRAG agreed with this notion.
- A representative from South Africa said that many enterprises rely on their auditors to arrive at the accounting for these transactions.
- A representative from EFRAG said that scoping will be an important issue in developing a new standard. She commented that IFRS 3 does not include a good reason why there are exceptions for business combinations under common control. The Chairman concurred that defining the scope of a new project would be a significant problem.

2.7 The Chairman commented that there was clearly an interest that work should continue on the issue of business combinations under common control.

Issue 3 — Consultation Paper Summary: Public Sector Combinations

2.8 Andreas Bergmann, IPSASB Chair, said that the objective of this project is to establish the accounting treatment for public sector combinations and the Consultation Paper is the first step in the process. He provided a summary of the Consultation Paper (see PowerPoint presentation marked agenda paper 2.3) and asked interested parties to send their responses to the Paper prior to the response deadline of 31 October 2012.

2.9 Representatives' comments included the following:

- A representative from Germany said there is a separate project on first-time adoption and that the transitional provisions should be addressed in the public sector combinations project.
- A representative from India suggested that there should be a uniform approach to the issue in the public and private sectors. Mr. Bergmann said that IPSASB's leadership favoured a collaborative approach, but that the matter had not yet been discussed by IPSASB.

- A representative from New Zealand said that the more difficult problem concerned business combinations not under common control. More guidance is needed to determine when a combination is an acquisition or an amalgamation.
- Referring to acquisitions not under common control, the Chairman said that organisations should be accountable for the fair value of what they have been given.
- A representative from Australia said that the same standards apply to both the private and public sectors in his jurisdiction and no problems have been discerned. He said that the presenter's comments on whether goodwill can exist in a non-cash generating context displayed rigid thinking. Goodwill should be determined in an economic sense.

2.10 The Chairman stated that consideration should be given to co-ordinating the timing of the IPSASB Paper with that of the EFRAG/Italian standard-setter Paper. She suggested that the relevant parties consult with the Korean standard setter regarding discussions at the Emerging Markets conference in Brazil.

Issue 4 — Unit of Account

- 2.11 Peter Martin, Director, Accounting Standards, Canadian Accounting Standards Board, updated the group on the progress of this project, including challenges posed and his preliminary observations (see agenda paper 2.4 and PowerPoint presentation marked agenda paper 2.4). He said that the work was being done as an adjunct to the IASB's conceptual framework project and not as an individual project. The focus of current work on the project had changed from a "top-down" to a "bottom-up" perspective. In answer to a question from a representative from Japan, he said that it was too early to draw any conclusions from the work performed to date.
- 2.12 Mr. Martin said that the future plan for the project is to complete the "bottom-up" analysis, revisit the "top-down" analysis, refine the definition of "unit of account" and propose principles for use in setting future accounting standards.
- 2.13 Representatives' comments included the following:
- A representative from Japan was appreciative of Canada's efforts and expressed agreement with the project's next steps. He suggested that a working group comprising IFASS participants should assist with the project. Thought should be given to the interaction of this project with the IASB's conceptual framework project.
 - A representative from IASB also expressed appreciation for Canada's work on this project. The IASB staff will consult with Mr. Martin as to how best to collaborate with IASB staff regarding "unit of account" and its interaction with the IASB's reactivated conceptual framework project.

- A representative from France said that work on this project should continue. The project required a comprehensive goal and should focus on several principles. This would assist with the conceptual framework project and with work being done in Europe on the business model.
- A representative from the FASB said too often standard-setting problems are blamed on “unit of account”. The project should continue and would ultimately add value to the standard-setting process.
- A representative from India also supported the project and called for realistic illustrative examples of projects in the construction industry. Similarly, a representative from Malaysia supported the project, stating that the unit of account issue related also to the real estate industry, specifically multi-level developments. She added that unit of account might also be an issue for the topic of agriculture.

2.14 The Chairman said the group considered that the project was worth continuing and could assist with identifying inconsistencies in various IFRSs and in the writing of new standards. Suggestions for developing principles should be forwarded to Mr. Martin.

3. Disclosures

Item 1 — Discussion Paper: Towards a Disclosure Framework for the Notes

- 3.1 Filippo Poli, EFRAG Senior Project Manager, discussed the objectives of the project, the key principles in the Paper (issued by EFRAG, the French standard setter and the U.K. Financial Reporting Council), setting and applying the disclosure requirements, and how disclosure information should be communicated so that users are provided with information, rather than the results of a compliance exercise (see PowerPoint presentation marked agenda paper 3.1)
- 3.2 Representatives’ comments included the following:
- A representative from the FASB remarked that this project was similar to the FASB’s Invitation to Comment: “Disclosure Framework,” in that the content of both the Discussion Paper and the Invitation to Comment is derived from the joint staff work of both organisations.
 - A representative from Switzerland commented that the project contained multiple elements, including guidance on materiality (which is a challenging factor). Many preparers approached disclosure requirements with a “checklist” mentality.
 - A representative from Australia referred to a paper presented by his jurisdiction to the group in New York in March 2011 on the topic of disclosure and presentation and said that Australia continues to work on this topic. Australia is of the view that there is a gap in the framework. He said that disclosures could be reduced by an objective-driven approach.

- A representative from France said that the project's starting point is very clear in Europe. Basically, preparers and users are unhappy with the state of affairs regarding disclosure. He asked the group to reflect on the 14 key principles in the Paper.

Item 2 — Report on FASB's Invitation to Comment: "Disclosure Framework"

- 3.3 Tom Linsmeier, a member of the FASB, provided a report on the FASB's Invitation to Comment. The objective of the project was to improve the effectiveness of disclosures in the notes to the financial statements, but not necessarily to reduce disclosure (see PowerPoint presentation marked agenda paper 3.2).
- 3.4 Representatives' comments included the following:
- A representative from Hong Kong said that many questions could be answered by looking at the scope of the project. He said that neither Paper dealt with the nature and background of the information to be considered. Mr. Linsmeier said that scoping requires co-ordination with securities regulators and could be a challenging matter.
 - A representative from Mexico said "flexibility" could be a risky matter and that some are more focused on comparability. Maybe there is a middle ground between the two issues. Mr. Linsmeier said that flexibility is a challenge. There has to be a basis to eliminate something. One could prioritise items according to their importance.

Item 3 — Management Reporting in Germany – GAS 20 Group Management Report

- 3.5 Rolf Ulrich from the German standard setter presented a report on the scope and legal basis for management reporting in Germany, including the fundamentals of a near final draft of a new standard known as GAS 20 (see PowerPoint presentation marked agenda paper 3.3).
- 3.6 The Chairman commented on the excellent quality of the German requirements. She said it is a good example of where somebody "drew the line".

Item 4 — Thinking About Disclosures in a Broader Context

- 3.7 Deepa Raval, Project Director with the U.K. Financial Reporting Council, commented that the Financial Reporting Council had released its Paper to supplement the Paper referred to in paragraphs 3.1 and 3.2 above. As its title suggests, the U.K. Paper considers how a disclosure framework may apply in a broader context than the Paper referred to in paragraphs 3.1 and 3.2, which is limited to the notes in the financial statements (see PowerPoint presentation marked agenda paper 3.4).

Representatives' comments on Items 1 — 4

3.8 Comments included the following:

- A representative from France expressed a measure of frustration that there are two Papers on the topic, but it did exemplify what could be done on a joint basis. He said there is a need to know the views of the IASB on this topic. Time is of the essence and stakeholders are eagerly awaiting results.
- A representative from Japan said that his jurisdiction would be responding to both Papers. He commented that the notion of assessing additional disclosures is required and if this were to result in disclosure flexibility, this would be contrary to historical precedent in the setting of accounting standards. He said that it was important to define the boundaries of financial reporting to indicate what should be disclosed in the notes to the financial statements. He said the Papers deal with many aspects of the where, when and how of disclosures. He also mentioned his concern on the introduction of flexibility, which might result in reduced comparability among different reporting entities.
- A representative from Canada was in favour of the projects on this topic. It is necessary to indicate which types of users the projects are aimed at. Criticism comes from those with different notions about who uses financial statements.
- A representative from the U.K. commented that analysts want “what’s nice to have,” not what they have to have.
- A representative from New Zealand commented on the quality of both Papers and said that the only way to reduce disclosures was to reduce mandatory disclosure requirements. However, users have always wanted more disclosures. This points to the necessity of focusing on common user information needs, as opposed to individual user needs.
- The Chairman commented that the International Organization of Securities Commissions should be asked if it would forego disclosure of information in paper form if that information were available via a vehicle such as XBRL.
- Commenting on other means of providing disclosures, such as via XBRL, a representative from the FASB said that she had heard that the tagging of financial items is not always accurate, which means that moving from traditional paper disclosures to other channels might not be a solution.
- A representative from South Africa concurred that efforts should be made to employ methods other than the use of paper to make disclosure information available. He said there is a need to examine matters not under the purview of the IASB, such as preliminary earnings announcements and information provided to analysts. It is also necessary to look at integrated reporting; some say this should be the primary report.
- A representative from the Netherlands said that traditional annual reports might not meet the needs of the “average” user and that many companies are producing

condensed versions of their financial statements for such users. He said that many users use far less information than what is provided in the often voluminous annual report to make investment decisions. Why produce this large document when, for example, focused information can be obtained from the company on investor days?

- The IASB Vice-Chairman commented that caution is needed regarding the notion of just producing short reports for analysts. Serious analysts do use and analyse annual reports.
- A representative from EFRAG said that the IASB has stated that disclosure is a high priority issue. She said that:
 - defining the content of the notes was in itself defining the first necessary placement criterion;
 - in most jurisdictions IFRS are applied to financial statements and hence the IASB has primary influence on the content of the notes;
 - defining financial reporting and its components (and hence other placement criteria) could be performed as a second step; and
 - materiality and communications are common elements that can deal with many of the difficulties confronted by this project.
- A representative from the U.K. commented that analysts often draw conclusions from the initial releases of financial results and don't always wait for a company's voluminous annual report.
- A representative from Sierra Leone said that risk management is common to all the Papers. Risk classification could assist in deciding how to group items. Referring to the Paper produced by Germany (paragraph 3.5), he said it was difficult to distinguish between entity and systemic risk.

3.9 There appeared to be general agreement that there is a problem stemming from the following:

- Standards and requirements are developed on a one-by-one basis.
- The behaviour of preparers, auditors, regulators and lawyers.
- Important issues are not differentiated from compliance requirements, so that:
 - important matters are frequently buried in a mass of compliance requirements; and
 - there does not appear to be an incentive or reward for preparers, auditors and regulators to change their behaviours and focus more on materiality, clarity, and the format of presentation.

4. Administrative Matters

IFRS Interpretations Committee Outreach to IFASS Members

4.1 The Chairman referred the group to agenda paper 4.1, which included a number of questions asking representatives how best to continue the outreach activities of the IFRS

Interpretations Committee (IFRIC). She requested the group to consider the questions posed and send their answers in writing directly to Michael Stewart, Director of Implementation Activities, IASB.

4.2 Representatives' comments included the following:

- A representative from Germany said it would be helpful if jurisdictions were made aware of who IFRIC outreach requests regarding an issue were being sent to, in order to avoid jurisdictions getting requests from a number of different parties regarding the same request. She said that her jurisdiction tries not to apply interpretations to issues.
- A representative from France commented that IFASS could add value to IFRIC's process by gathering information for IFRIC.
- The Chairman commented that for each issue presented to IFRIC, the Committee would like to ascertain if different jurisdictions apply different methods of accounting to the same problem.
- A representative from South Africa commented on the problem of dealing with the sheer volume of requests.

IFASS Meeting Assessment – Kuala Lumpur, 29-30 March 2012

4.3 The Chairman referred representatives to agenda paper 4.2, which provided an analysis of the views of participants who attended the above meeting. She thanked Steve Lim and Jae-Ho Kim (Korea Accounting Standards Board), Felipe Perez-Cervantes (Mexican Financial Reporting Standards Board) and Didrik Thrane-Nielsen (Norwegian Accounting Standards Board) who analysed and summarized participants' responses and suggested a number of recommendations, most of which have been implemented. She said that the recommendation to make provision for breakout sessions at IFASS gatherings would be considered for future meetings.

4.4 The Chairman commented that the response rate to the Kuala Lumpur meeting assessment questionnaire was about 50 per cent, which was rather disappointing and called for a better response to the assessment of the current meeting.

Date and location of Q3 2013 IFASS Meeting

4.5 The Chairman stated that the World Standard Setters would be meeting in London on Monday and Tuesday, 23-24 September 2013. She said she would circulate the group asking for suggestions as to when IFASS should meet in conjunction with that meeting.²

² Subsequent to the current meeting, the group indicated that the preferred date for the Q3 2013 IFASS meeting was Thursday and Friday, 19-20 September. The meeting will be held in Brussels. The Chairman expressed her thanks to Françoise Flores and her team for agreeing to host the gathering.

Statement of Best Practice and Role of IFASS

4.6 The Chairman suggested that members might like to assist the French standard setter and others in working on this project regarding the role of IFASS. A representative from the French standard setter said that this might be premature and suggested that the group wait until the project's present stage is finalised.

5. Toward a Measurement Framework for Financial Reporting by Profit-Oriented Entities (Optional Session)

5.1 The meeting Secretary did not attend this optional session. A record of the proceedings is available from the presenter, Dr. Alex Milburn (Canada).

5.2 Copies of Dr. Milburn's Paper can be downloaded free of charge from the CICA website: www.cica.ca/measurement. A blog has also been set up: <http://measurementframework.blogspot.ca/> to encourage open discussion of the paper and financial reporting measurement issues generally.

6. IASB Work Plan and IFRS Foundation Developments

6.1 Ian Mackintosh, Vice-Chairman, IASB, and Peter Martin, Director, Accounting Standards, Canadian Accounting Standards Board, provided information on the strategies and governance of the work of the International Financial Reporting Standards Foundation Trustees, the IASB's efforts in developing and improving IFRSs and key personnel changes since the group's last meeting (see agenda paper 6 and PowerPoint presentation marked agenda paper 6).

6.2 Mr. Mackintosh said that the Trustees met on 12 July 2012 and discussed the U.S. Securities and Exchange Commission (SEC) staff report on the possible use of IFRSs in the U.S. No decisions were taken. He also commented that an IASB staff report on the SEC staff report was due to be released today (23 October 2013).³

6.3 He commented that the Foundation's three-year budget contemplated very little growth over that period. The Foundation's funding strategy is to make a small surplus each year. He said that while expenses were well contained, funding presented a problem.

6.4 Mr. Mackintosh commented that Scott Evans had been appointed Chairman of the Due Process Oversight Committee, effective January 2013.

6.5 A representative from France said he was not entirely satisfied with the content of the Due Process Handbook and called for a discussion on the topic at some stage. Mr. Mackintosh

³ The IASB staff report can be accessed via the following link: <http://www.ifrs.org/Alerts/PressRelease/Pages/IFRS-Foundation-Staff-Analysis-of-SEC-Final-Staff-Report-on-IFRS.aspx>

said that, although no more meetings regarding that Handbook were planned, the matter was not “set in stone”.

6.6 Mr. Mackintosh commented on the IASB’s Work Plan, stating:

- the three-year agenda public consultation process was close to completion;
- the general hedge accounting standard will not be held up because of a delay in the finalisation of the classification and measurement project (IFRS 9);
- as much as is possible, the IASB desires a converged standard for insurance contracts;
- many were displeased with the IASB’s proposals for leases, saying that IAS 17 *Leases* should be left as is (however, there is no expectation that the leases liability will not be required to be shown in the balance sheet);
- the IASB and FASB were finalising their revenue recognition standard, which will be converged;
- re-exposure of the insurance contracts proposals will add time to the project (fundamental principles will not be re-exposed);
- the investment entities project has been completed and guidance will be issued soon;
- the appointment of Paul Pacter to the IASB was unfortunate for the IFRS for SMEs project, but work on this project is being more than adequately handled by the IASB staff (there will not be a separate standard for micro entities);
- rate-regulated activities issues were discussed by the IFRS Advisory Council on October 22 and, much to his disappointment, its members were generally not in favour of an interim solution;
- the IASB hoped to act quickly on a project for bearer biological assets; and
- many are sceptical concerning the timetable for the conceptual framework project but the IASB aims to instil a measure of urgency on this topic (the aim is to produce a discussion paper by 30 June 2013).

6.7 Representatives’ comments included the following:

- A representative from the FASB said that, regarding IFRS 9 *Financial Instruments* (replacement of IAS 39), the FASB was aligned with the IASB on classification. The FASB agreed with the IASB on the principles of impairment, but differed on matters of implementation. Nevertheless, the FASB will consider the comments on the IASB’s forthcoming proposal (and vice-versa). The FASB representative commented that the FASB had received strong feedback that the impairment proposals were not operational. A representative from Canada said that his jurisdiction had also received feedback regarding implementation difficulties. Mr. Mackintosh said that feedback received by the IASB was less definite.
- In answer to a question from a representative from France regarding the differences in impairment, Mr. Mackintosh said that the IASB and FASB would debate the differences to try and get a common solution, before moving forward.
- A representative from Japan said that there were four projects to amend parts of IFRS 9. If the classification part was completed before impairment, there would effectively be five standards. Mr. Mackintosh said that the IASB was aware of the

concern. He said that, unless problems surface, general hedging, classification and impairment would likely be finalised fairly close together.

- A representative from the Netherlands asked that the IASB provide a longer-than-normal comment period for the IFRS 9 exposure draft. Mr. Mackintosh said that the normal comment period would likely apply and that due process would not be short-circuited.
- In answer to a question from a representative from Canada regarding the general hedge accounting review draft, Mr. Mackintosh said that comments on that document were welcome. The IASB does not expect major changes to the principles stated in that document.
- A representative from the FASB said that the FASB had held working sessions with preparers and users regarding the disclosure requirements for revenue recognition. Preparers have indicated that the disclosure requirements for revenue recognition are burdensome, while users have welcomed the proposals. The FASB will hold similar sessions regarding the transitional proposals.
- A representative from the FASB said that her organisation was one step behind the IASB regarding insurance contracts, in that the FASB has not yet issued an exposure draft. The basic concept underlying the FASB and IASB proposals was basically converged, but numerous differences exist regarding the treatment of acquisition costs, changes in assumptions, and the inclusion of a risk margin. Differences will be explained in the FASB's exposure draft and comments will be welcomed.
- The Chairman commented that the standard for insurance contracts is one that is not implemented entirely by accountants, and actuaries are also awaiting the final standards. A representative from the FASB stated that actuaries would like the FASB and IASB to arrive at a common standard.
- A representative from South Africa said that her jurisdiction had prepared an electronic guide for micro entities, which was passed on to Mr. Pacter and his staff. Many smaller entities in South Africa are using this guide.
- A representative from the FASB said that the scope of the U.S. post implementation review for operating segments and business combinations differed from that of the IASB. The purpose is to identify implementation issues and whether they satisfy the FASB's objectives.
- A representative from France offered to discuss post-implementation review issues with the IASB.
- A representative from Norway called for a review of IAS 41 *Agriculture*, which affects many small entities. Mr. Mackintosh said there was no strong push for a complete review, which could extend the project's completion date by four or five years. Stakeholders are asking for quick action on this topic.
- A representative from Norway said that clients were pressuring him regarding the application of the discount rate requirements in IAS 19 *Employee Benefits* and urged the IASB to consider this problem. (See also agenda item 12 below.)

7. Reports from Regional Groups

Update on Activities of the Asian-Oceanian Standard-Setters Group (AOSSG)

- 7.1 The AOSSG Chairman, Kevin Stevenson, provided an update on the group's activities. He referred meeting participants to agenda paper 7.1A, which detailed the increasing application of IFRSs in AOSSG member jurisdictions, and agenda paper 7.1B, which provided an outline, and the activities, of the AOSSG. His comments included the following:
- The AOSSG has taken the initiative in building regional standard-setting capacity, including the establishment of a pilot IFRS Centre for Excellence in Nepal.
 - The annual AOSSG meeting will take place in Kathmandu, Nepal. This will include a day of technical discussions after the meeting.
 - An AOSSG regional office will open in Tokyo on 15 November 2012.
 - Syria has applied to join the AOSSG.
- 7.2 The representative from Saudi Arabia said that his jurisdiction permits the optional use of IFRSs and Lebanon has asked its parliament to approve the use of IFRSs in that country.

Update on EFRAG Activities

- 7.3 Françoise Flores, Chairman of EFRAG, provided an overview of EFRAG's recent activities, details of which are listed in agenda paper 7.2. These included proactive activities, participating in the IASB's due process, providing endorsement advice to the European Commission, a limited governance review and a series of outreach activities.
- 7.4 Ms. Flores stated that EFRAG, the French standard setter and the U.K. Financial Reporting Council have made good progress in their joint project on the role of the business model in financial reporting. A discussion paper is expected to be published in the first quarter of 2013. The Chairman noted that that paper could be a candidate for discussion at IFASS's next meeting.

Update on the Activities of the Group of Latin American Accounting Standard Setters (GLASS)

- 7.5 Felipe Perez-Cervantes, Chairman of the Mexican Financial Reporting Standards Board and member of the board of GLASS, referred meeting participants to agenda paper 7.3 and supporting documentation, which provided an overview of GLASS's activities for the period 28 June 2011 to 30 June 2012. He commented that the potential addition of Guatemala would increase GLASS's membership to 14, out of a potential 25 members.
- 7.6 In response to a question from the Chairman, Mr. Perez-Cervantes said that GLASS members value membership of that organisation. He said that consideration would be given to forming a Centre for Excellence, similar to the AOSSG's initiative.

- 7.7 In response to a request from a representative from France, Mr. Perez-Cervantes said he would prepare a schedule indicating the degree of member jurisdictions' application of IFRSs.

Update on the Activities of the Pan African Federation of Accountants (PAFA)

- 7.8 Sue Ludolph, Project Director (Financial Reporting) of the South African Institute of Chartered Accountants, detailed PAFA's recent activities (see agenda paper 7.4). Her comments included the following:
- PAFA's membership comprises institutes from 34 out of a possible 52 countries (the membership consists of institutes, not countries).
 - One of PAFA's main objectives is to set up an organisation in each member country devoted to capacity building, similar to what the AOSSG is doing.
 - In May 2012, the PAFA General Assembly adopted a resolution providing members with a mandate to adopt IFRSs as developed by the IASB in their respective countries.
 - PAFA is in the process of recruiting a technical manager.
 - The next PAFA board meeting is scheduled for 16 November 2012 in Cape Town, South Africa. One of the main topics will be donor funding.
- 7.9 Representatives' comments included the following:
- A representative from France expressed concern that PAFA's members were not necessarily standard setters and asked for more information on this matter.
 - The representative from Sierra Leone commented that PAFA is the first continent-wide accounting organisation in Africa in contrast with an earlier system of regional bodies. PAFA's initial challenge is institution-building. He commented that South Africa has a competitive edge over other countries in Africa and members can leverage off South Africa's strengths.
- 7.10 The Chairman closed the discussion on this topic stating that PAFA members have started to adopt IFRSs, capacity-building is a huge issue and that PAFA should be able to leverage the continent's resources to the benefit of members.

8. The Initial Accounting for Intangible Assets Acquired in a Business Combination

- 8.1 Robert Keys, Technical Director, Australian Accounting Standards Board (AASB), gave a presentation that summarised the AASB staff's research into implementation experiences with the requirements in IFRS 3 *Business Combinations* (and comparable requirements in the standards of national standard setters) relating to the initial accounting for intangible assets acquired in business combinations (see PowerPoint presentation marked agenda paper 8.1). Given the level and nature of some of the responses to the surveys from preparers, advisers, auditors, regulators and users, caution was expressed about generalising from the research findings. However, representatives noted that the findings could provide useful input to the IASB's scheduled post-implementation review of IFRS 3.

- 8.2 Responses to the surveys suggested there is broad support for the relevant requirements in IFRS 3, but there is room for improvements. A range of comments by respondents to the surveys fell into the following broad categories:
- some of the comments related to matters that were general in nature and therefore not limited to IFRS 3, such as comments about whether standards should be expressed as principles or rules, and whether value-in-use is preferable to fair value measurement;
 - some of the comments and findings could cause the IASB to consider undertaking further research to gain an understanding of their basis, such as comments asserting that users disregard information about intangible assets recognised in financial statements, commercial thinking is not reflected in accounting thinking, and the reasons why the proportion of intangible assets initially recognised in business combinations vary across industries; and
 - some of the comments could cause the IASB to consider making amendments to IFRS 3, such as some of the comments about the disclosure requirements, the interrelationship between IFRS 3 and other IFRSs, the merits of distinguishing between “organically replaced” and “wasting” intangible assets, the purchase price allocation methodology, the lack of clarity around the relevant unit of account, and the rationale for the treatment of defensive assets, confidential customer lists and cancellable contracts such as sales orders backlog.
- 8.3 Respondents noted that some of the comments by respondents to the surveys were beyond the scope of the research, but highlighted the need to consider IFRS 3 as a package given the interrelatedness of issues, (such as the relationship between the recognition requirements for intangible assets and goodwill, and subsequent accounting requirements).
- 8.4 Representatives particularly noted that the contact list of survey respondents who had indicated a willingness to be consulted further might be a valuable resource for the IASB in undertaking its post-implementation review of IFRS 3.
- 8.5 Representatives’ comments included the following:
- A representative from Japan suggested that, in relation to slide 14 (which compares the extent to which intangible assets are recognised across industries), it would be informative to do a similar analysis by regions, if possible. Such an analysis would provide insight into whether there is a discernible difference in how the same principles are applied across regions. The presenter advised that AASB staff will assess whether such an analysis is possible from the raw data and advise members accordingly.⁴

⁴ The AASB staff have since confirmed that, unfortunately, it is not possible to disaggregate the data on a regional basis as suggested, due to the way the survey instrument was structured.

- The Japanese representative also observed that if a respondent's comment advocating value-in-use over fair value as the appropriate measurement basis (on slide 19) were to be adopted, it would have arguably inappropriate consequences for goodwill.
- A representative from Germany commented on a respondent's comment on slide 21 that commercial thinking used to determine purchase price does not easily translate into accounting thinking. He noted that commercial decisions are often made on subjective/incomplete data using intuition. He noted that although accounting cannot capture "gut-feel" phenomena, it is reasonable to expect that the accounting representation of the consequences of such decision making would be useful. The Chairman noted that the AASB staff research demonstrated that listings of intangible assets had been useful for users.
- A representative from Mexico asked for clarification of the comment by a user expressing concern that IFRS 3's identification/recognition requirements provide scope for manipulation (reflected in slide 27). The presenter noted that the research did not involve following up on comments from respondents and therefore it was not possible to be conclusive about what underpinned the concern. He noted that it might be a matter that could be explored further as part of the IASB's post-implementation review.

8.6 The Chairman commented that perhaps some of the responses, particularly from users, indicated that they do not necessarily understand the requirements of IFRS 3. She thanked Australia for undertaking the research and offering to provide the findings and related data to the IASB.

9. Goodwill Amortisation and Impairment

9.1 Tommaso Fabi and Carlo Calandrini from the Italian standard setter provided a summary of the early results of a survey on the IASB's post-implementation review of IFRS 3, which are detailed in a PowerPoint presentation marked agenda paper 8.2 (Italy). The survey was conducted by the Italian standard setter and EFRAG.

9.2 Atsu Kato, Vice Chairman, Accounting Standards Board of Japan, presented the results of the responses to his board's questionnaire based on Japanese accounting standards on this topic (see PowerPoint presentation marked paper 8.2 (Japan)). He commented that the Japanese standard setter had provided proactive support for the work of the Italian standard setter and EFRAG.

9.3 Mr. Kato commented that the respondents to his board's questionnaire used Japanese GAAP, but were aware of the requirements in IFRS 3. He said views were mixed as to which standard on this topic was preferred, although IFRS 3 was generally found to be more

burdensome. Japanese GAAP requires that acquired goodwill be amortised, so that guidance related to impairment results in less pressure on preparers than does IFRS 3.

- 9.4 Mr. Kato said that his board plans to provide a final report to IFASS at its next meeting in April 2013. Mr. Calandrini said that the Italian standard setter will produce a feedback statement and will make public the responses to the survey, which was conducted by the Italian standard setter and EFRAG.
- 9.5 The Chairman commented that smaller companies have difficulty in performing impairment testing. Unlike larger companies they generally do not have the resources and skills to build adequate models.

10. Accounting Proposals for Greenhouse Gas (GHG) Emission Rights

- 10.1 Pierre-Jean Dupic from the French standard setter presented a business-model approach to the accounting for GHG emission rights that have to be purchased (see PowerPoint presentation marked agenda paper 9.1). He discussed two distinct business models, the Production Business Model and the Trading Business Model.
- 10.2 The Production Business Model freezes the costs of that portion of the obligations incurred as GHG emissions occur. It then deals with the excess or deficit of emission rights over or under GHG obligations. Under the Trading Business Model, emission rights are held to generate gains and the emission rights are measured at fair value less the costs to sell.
- 10.3 Representatives' comments included the following:
- Some participants commented on the failure of the French model to comply with IFRSs. Participants noted that various countries have different accounting models. For example, a representative from New Zealand outlined the accounting treatment commonly applied in practice in that country in situations in which the New Zealand emissions trading scheme (ETS) was similar to the situation discussed in agenda paper 9. The treatment applied in practice had some similarities, but also some differences to the approach discussed in that paper. For example, IAS 38 *Intangible Assets* was applied to ETS units held for the purpose of settling emission obligations (based on the definition of an intangible asset), whereas IAS 2 *Inventories* was applied to units held for sale in the ordinary course of business (based on the scope of IAS 38 and IAS 2). The emission units held and emission liabilities remained on the balance sheet until transferred or settled. A representative from France said that his staff would discuss the differing accounting treatments with New Zealand.
 - A representative from France commented that although there were some differences owing to the nature of the schemes, existing IFRSs allow for an approach that is comparable in substance to approaches familiar to preparers and auditors,

and there is no need for a new standard. The representative from the Netherlands agreed with that comment.

- A representative from Hong Kong expressed a concern with the accounting for the production business model regarding the recognition of liabilities at fair value (see slide 14 of the PowerPoint presentation).
- A representative from India called for clarification of the accounting for carbon credits mentioned in section 6 of agenda paper 9. He said that the timing aspect was not mentioned in the paper.
- The IASB Vice-Chairman commented that emission rights are currently the subject of an IASB research project.
- A representative from Canada asked whether the treatment in the Paper issued by the French standard setter was intended to be authoritative for French entities applying IFRS. He stated that Canada's policy is to desist from issuing interpretations of IFRSs, and does not wish to do so for the accounting for emission rights. He commented that the major accounting firms have all issued their own interpretations for such accounting.
- A representative from France said that his jurisdiction has not issued carve outs from IFRSs, and only presented agenda paper 9 to IFASS for participants' comments.

10.4 The Chairman suggested that this topic be on the agenda for the next IFASS meeting, stating that emission rights is a long-standing issue that merits further discussion. She asked interested parties to share with the group practices in their jurisdictions and identify the tension points that are causing diversity in practice.

11. Accounting for Investment Tax Credits

11.1 Garth Coppin, Financial Reporting Standards Council of South Africa, presented a paper to highlight a concern in practice related to investment tax credits (ITC) (see agenda paper and PowerPoint presentation marked 10.1). While ITCs are not defined in IFRSs, they are scoped out of IAS 12 *Income Taxes* and IAS 20 *Government Grants*. Mr. Coppin posed the question whether the IASB should introduce a definition of an ITC and provide guidance for the accounting for these credits.

11.2 Representatives' comments included the following:

- The representative from Malaysia said that her jurisdiction raised the issue with the IASB in 2006 and no action ensued.
- A representative from Norway said that his jurisdiction was unsuccessful in attempting to elicit action from the IFRS Interpretations Committee on this matter.
- The representative from the Netherlands said that he saw no cause for action by the IASB.

- The IASB Vice-Chairman said there was little support in the recent agenda consultation process to deal with ITCs.
- The representative from the Netherlands said that he saw no cause for action by the IASB.

11.3 The Chairman stated that ITCs appeared to be widespread and that jurisdictions appeared to have developed their own means of accounting for these credits. She suggested that jurisdictions advise South Africa of their differing treatments and that a report should be delivered to IFASS at its next gathering.

12. Discount Rate in IAS 19 *Employee Benefits*

12.1 Liesel Knorr from the German standard setter discussed issues related to the discount rate in IAS 19 in light of the narrowing market for high-quality corporate bonds (HQCB). She said there is no definition of these bonds in IFRSs and that in Germany, a corporate bond is considered to be a HQCB if it is rated at least “AA” or equivalent. This is based on a 1993 SEC Staff Announcement (see agenda paper and PowerPoint presentation marked 10.2). Ms. Knorr said that various approaches are used in different jurisdictions and posed a number of questions as detailed in PowerPoint presentation 10.2.

12.2 Representatives’ comments included the following:

- The representative from the Netherlands suggested that, because of the broadening universe, government bonds from the whole Eurozone should be used to arrive at an appropriate discount rate.
- A representative from Norway said that his jurisdiction faced the reverse of the problem. Norway does not have a large market in government bonds, but because it is viewed as a safe haven, interest rates on these bonds are very low. He said there is a conflict between the idea of the time value of money and the market. Many issues were unclear and that guidance from the IASB would be very helpful.
- The IASB Vice-Chairman commented that other IASB projects were faced with some of the issues under discussion. He asked how one determines the time value of money in less-developed countries. This is a big problem compared to doing the exercise in developed countries.
- A representative from Australia said that the public sector in his jurisdiction is unhappy with the situation. Because of the absence of a measurement attribute, what rates should be used for governments? He also indicated that the absence of a clearly specified measurement attribute for the amounts to be measured made it hard to comment on which discount rates should be employed.
- A representative from the Netherlands said that there is a problem for pension funds and insurance contracts. Using the “ultimate forward rate,” (that is, the long-term expected rate based on a central banker’s benchmark rate, which is a mean

reversion back to the historical rate), company reports show healthy pension fund figures. The discount rate reflects a political decision regarding a central bank's thoughts on what is a suitable discount rate.

- 12.3 The Chairman said that the political implications of not attending to this problem should be considered. Accountants are being blamed for the demise of defined benefit pension plans. The wording in IAS 19 does not give preparers the flexibility to use other rates. There is a need to establish the equivalent of HQCBs. There might be a need to discuss this topic once the IFRS Interpretations Committee had discussed the issue in January 2013.

13. Wrap Up

- 13.1 The Chairman expressed the thanks of meeting participants to our Swiss hosts and in particular, Simone Weiss, for the outstanding meeting and dinner arrangements (and for the gift of a bell to call this and future meetings to order). She also asked members to complete and hand in their assessments of the success or otherwise of the current meeting (representatives from Korea, Mexico and Norway have again kindly agreed to analyse and summarize participants' responses).

- 13.2 Based on the discussion at this and previous meetings, the Chairman listed the following expected agenda items for the IFASS meeting in São Paulo:

- Standing Items
 - Update on the IASB Work Plan
 - Updates on regional group activities
- Topical Issues
 - Report-back regarding Income Tax Credits (South Africa)
 - Report-back regarding Discount Rate issues, including the results of IFRS Interpretations Committee discussions
- Other
 - Final decision regarding the IASB's Accounting Standards Forum, including (if formed and in operation) results of its first meeting in March 2013
 - The future of IFASS and the character of its activities, including supporting the activities of the Accounting Standards Forum
 - Report on the Discussion Paper *Business Combinations under Common Control* (EFRAG/Italy)
 - Feedback statements on surveys regarding Goodwill Amortisation and Impairment (Japan/Italy)

- Emission Rights (advise the Chairman on practice GAAP and guidance issued by jurisdictions)

14. Conclusion

- 14.1 The Chairman concluded the meeting by reminding participants that the next IFASS meeting would be held in São Paulo, Brazil on 17-18 April 2013.

IFASS – 22-23 October 2012 ZURICH – LIST OF PARTICIPANTS

	Name	Organisation
1	Kevin Stevenson	Australian Accounting Standards Board
2	Robert Keys	Australian Accounting Standards Board
3	Gerhard Prachner	Austrian Financial Reporting and Auditing Committee
4	Jan Verhoeve	Belgian Accounting Standards Board
5	Sadi Podevijn	Belgian Accounting Standards Board
6	Edison Arisa	Brazilian Accounting Pronouncements Committee
7	Peter Martin	Canadian Accounting Standards Board
8	Gord Fowler	Canadian Accounting Standards Board
9	Gao Daping	Ministry of Finance China
10	Xia Wenxian	Ministry of Finance China
11	Françoise Flores	European Financial Reporting Advisory Group
12	Philippe Longerstae	European Financial Reporting Advisory Group
13	Filippo Poli	European Financial Reporting Advisory Group
14	Jérôme Haas	French Accounting Standard Authority
15	Pierre-Jean Dupic	French Accounting Standard Authority
16	Andreas Barckow	Accounting Standards Committee of Germany
17	Liesel Knorr	Accounting Standards Committee of Germany
18	Rolf Ulrich (Dr.)	Accounting Standards Committee of Germany
19	Clement Chan	Hong Kong Institute of Certified Public Accountants
20	Simon Riley	Hong Kong Institute of Certified Public Accountants
21	Yael Almog	IASB
22	Ian Mackintosh	IASB
23	Alan Teixeira	IASB
24	Tricia O'Malley	IFASS
25	Harry Klompas	IFASS
26	Rosita UliSinaga	Indonesian Accounting Standards Board
27	Dr Avinash Chander	The Institute of Chartered Accountants of India
28	Charanjot Singh Nanda	The Institute of Chartered Accountants of India
29	Manoj Fadnis	The Institute of Chartered Accountants of India
30	John Stanford	IPSASB
31	Andreas Bergmann	IPSASB
32	Alberto Giussani	Italian Standard Setter
33	Tommaso Fabi	Italian Standard Setter
34	Carlo Calandrini	Italian Standard Setter
35	Ikuo Nishikawa	Accounting Standards Board of Japan
36	Atsu Kato	Accounting Standards Board of Japan
37	Suk-Sig (Steve) Lim	Korea Accounting Standards Board
38	Sungsoo Kwon	Korea Accounting Standards Board
39	Bee Leng Tan	Malaysian Accounting Standards Board
40	Felipe Perez Cervantes	Mexican Financial Reporting Standards Board (CINIF)
41	Juan M. Gras	Mexican Financial Reporting Standards Board (CINIF)

42	Hans de Munnik	Dutch Accounting Standards Board
43	Kimberley Crook	New Zealand Accounting Standards Board
44	Patricia McBride	New Zealand External Reporting Board
45	Erlend Kvaal	Norwegian Accounting Standards Board
46	Didrik Thrane-Nielsen	Norwegian Accounting Standards Board
47	Rashid Rahman Mir	Institute of Chartered Accountants of Pakistan
48	Hafiz Mohammad Yousaf	Institute of Chartered Accountants of Pakistan
49	Oussama Tabbara	Arab Society of Certified Accountants
50	Tony Boutros	Arab Society of Certified Accountants
51	Dr. Omodele R. N. Jones	Council for Standards of Accounting, Auditing, Corporate & Institutional Governance (CSAAG – Sierra Leone)
52	Suat Cheng GOH	Singapore Accounting Standards Council
53	Ivan KOO	Singapore Accounting Standards Council
54	Sue Ludolph	South Africa Institute of Chartered Accountants
55	Garth Coppin	Financial Reporting Standards Council (South Africa)
56	Maria Urrea Sandoval	Spanish Institute of Accounting and Accounts Auditing
57	Claes Janzon	Swedish Financial Reporting Board
58	Philipp Leu	Swiss GAAP FER
59	Abdulkader Husrieh	Association of Syrian Certified Accountants
60	Conrad C. Chang	Financial Accounting Standards Committee (Taiwan)
61	Michelle Sansom	Financial Reporting Council (U.K.)
62	Roger Marshall	Financial Reporting Council (U.K.)
63	Thomas Linsmeier	FASB (U.S.)
64	Leslie Seidman	FASB (U.S.)